

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 ERDA-05 AID-05
CEA-01 CIAE-00 COME-00 EPG-02 DODE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
/115 W

-----210559Z 106610 /16

R 201632Z MAY 77

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 3853

INFO ALL EC CAPITALS

US MISSION OECD PARIS 4683

USMISSION GENEVA

LIMITED OFFICIAL USE EC BRUSSELS 5145

E.O. 11652: N/A

TAGS: ETRD, ENRG, EEC

SUBJECT: PROPOSED COMMISSION REGULATION FAVORING USE OF COMMUNITY
COAL TO REPLACE PETROLEUM IN POWER GENERATION

REF: ECA-51

1. SUMMARY. THE EUROPEAN PARLIAMENT LAST WEEK APPROVED A
PROPOSED COUNCIL REGULATION PROVIDING FOR GRANTS TO ENCOURAGE
THE CONSTRUCTION, CONVERSION FROM CRUDE OIL OR MODERNIZATION
OF ELECTRIC POWER STATIONS USING COAL AS FUEL. WHILE THE
REGULATION AS PROPOSED BY THE EC COMMISSION STATES THAT
PRIORITY WILL BE GIVEN IN SELECTING PROJECTS FOR FINANCING
TO THOSE USING COMMUNITY COAL, PARLIAMENT HAS ADDED A
STIPULATION THAT ONE-FIFTH OF THE 500 MILLION UNITS OF
ACCOUNT FOR THE GRANTS IS TO BE RESERVED FOR PROJECTS
COMMITTED TO USING ONLY COMMUNITY COAL. END SUMMARY.

2. AMONG THE ITEMS WHICH MAY BE TAKEN UP BY THE
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ENERGY MINISTERS DURING THEIR COUNCIL SESSION SCHEDULED
FOR JUNE 14 IS A COMMISSION-PROPOSED REGULATION PRO-
VIDING FOR GRANTS COVERING 30 PER CENT OF THE CAPITAL
COSTS OF CONSTRUCTING NEW ELECTRIC POWER STATIONS USING
ONLY COAL AS FUEL, CONVERTING OIL BURNING GENERATING
STATIONS TO COAL, OR MODERNIZING OLD COAL-FIRED STATIONS.
THIS REGULATION IS INTENDED TO PROMOTE ESTABLISHMENTS OF

30 GIGAWATTS OF ADDITIONAL COAL-FIRED ELECTRIC POWER GENERATING CAPACITY BY THE EARLY 1980S, THUS SAVING 26-40 MILLION TONS OF CRUDE OIL ANNUALLY. THE GRANTS ARE TO BE FINANCED BY UP TO 500 MILLION UNITS OF ACCOUNT (ABOUT \$565 MILLION) OF COMMUNITY FUNDS TO BE EXPENDED OVER 15 YEARS, WITH A MAXIMUM OF 50 MILLION EUA IN ANY SINGLE YEAR.

3. THE COMMISSION IN ITS COMMUNICATION FORWARDING THE PROPOSED REGULATION TO THE EC COUNCIL STATES THAT THE PRIMARY OBJECTIVE OF THE REGULATION IS TO REDUCE COMMUNITY DEPENDENCE ON IMPORTED OIL REGARDLESS OF WHETHER THE COAL IS OF COMMUNITY ORIGIN OR IMPORTED. NEVERTHELESS, IT STATES THAT " THE IMPORTANCE OF THE COMMUNITY'S INDIGENOUS COAL RESOURCES MUST NOT BE DISCOUNTED" AND PROPOSES TO GIVE PRIORITY CONSIDERATION TO PROJECTS USING COMMUNITY COAL EXCLUSIVELY. THIS REFLECTED IN ARTICLE 5 OF THE PROPOSED REGULATION WHICH STATES: QUOTE IN CONSIDERING APPLICATIONS FOR GRANTS, THE COMMISSION IS TO BE GUIDED BY THE COAL-BURN PLANS SUBMITTED TO THE EFFECT THAT THE HIGHER THE PROPOSED COAL-BURN IN RELATION TO THE AMOUNT OF THE GRANT, THE HIGHER THE PRIORITY OF THE PROJECT. HOWEVER, PRIORITY IS TO BE GIVEN TO PROJECTS IN REGARD TO WHICH THE ELECTRICITY UNDERTAKING IS PREPARED TO COMMIT ITSELF TO USE PRINCIPALLY COMMUNITY COAL. END QUOTE

4. THE EUROPEAN PARLIAMENT DURING ITS SITTING IN STRASBOURG LAST WEEK EXPRESSED THE HOPE THAT INSTALLA-LIMITED OFFICIAL USE

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TIONS UNDERTAKING TO BURN COMMUNITY COAL WOULD BE TREATED " PARTICULARLY FAVORABLY" AND AMENDED THE ARTICLE BY ADDING THE FOLLOWING SENTENCE: QUOTE ONE - FIFTH OF THE TOTAL SUM AVAILABLE FOR GRANTS IS TO BE RESERVED FOR PROJECTS IN REGARD TO WHICH THE ELECTRICITY UNDERTAKING IS PREPARED TO COMMIT ITSELF TO USE ONLY COMMUNITY COAL. END QUOTE THE REST OF THE PROPOSED REGULATION WAS APPROVED WITHOUT CHANGE.

5. COMMENT: WHILE THE AMENDMENT PROPOSED BY THE PARLIAMENT IS NOT BINDING AND THE REGULATION AS A WHOLE MUST STILL BE APPROVED BY THE EC COUNCIL, THE EMPHASIS ON COMMUNITY COAL CLEARLY REVEALS THE DILEMMA FACED BY THE EC IN THE USE OF COAL. WHILE, ON THE ONE HAND, IT WOULD LIKE TO MAXIMIZE USE OF INDIGENOUS COAL BOTH TO PRESERVE THE COAL MINING INDUSTRY FOR SOCIAL REASONS AND TO REDUCE DEPENDENCE ON IMPORTED ENERGY, ON THE OTHER HAND IT RECOGNIZES ITS LIMITED COAL RESERVES

AND THE INFLATIONARY IMPACT OF THE HIGH COSTS OF EC COAL PRODUCTION. IN FACT, DIRECTOR GENERAL FOR ENERGY WILLIAMS MENTIONED TO US ONCE THAT THE EC WOULD LIKE A LONG-TERM COAL SUPPLY COMMITMENT FROM THE US, BUT HE HAS NEVER PURSUED SUCH A PROPOSAL BECAUSE OF THE AMBIVALENT EC POSITION ON COAL IMPORTS. IT IS POSSIBLE THAT THE PROPOSED PRIORITY TO BE GIVEN TO COMMUNITY COAL OVER IMPORTED COAL ALLOCATION OF COMMUNITY GRANTS COULD BE CONSIDERED TO BE SUBSIDIES DISCRIMINATING AGAINST EC COAL IMPORTS FROM THE US AND OTHER SOURCES.

6. ACTION REQUESTED: WE WOULD APPRECIATE THE DEPARTMENT'S REACTION TO THE PROPOSED REGULATION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
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Format: TEL
From: EC BRUSSELS
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Litigation History:
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Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
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Review Event:
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Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2441706
Secure: OPEN
Status: NATIVE
Subject: PROPOSED COMMISSION REGULATION FAVORING USE OF COMMUNITY COAL TO REPLACE PETROLEUM IN POWER GENERATION
TAGS: ETRD, ENRG, EEC
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3e32408f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009